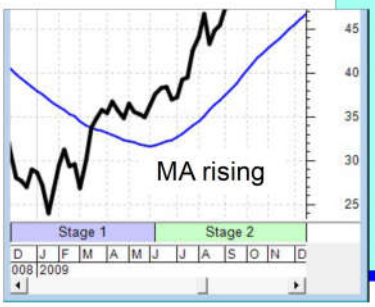
Share Market Toolbox

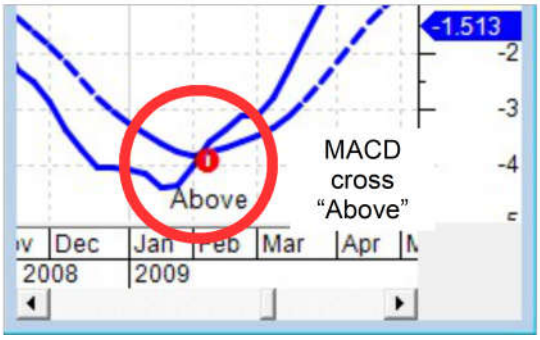
Ranking stocks using bullish chart indicator features



Robert Brain

January 2018

Price charts summarise the underlying opinions and emotions of the market participants.
Every chart tells a story.
It pays to understand the stories in the price charts.



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Version: 4

Introduction

About this presentation

Wouldn't it be good if we could take
a **list of stocks***, and
sort the list with
strongest performing stocks (ie. most bullish)
at top of the list?

And then invest
in these stocks in anticipation
of the best price performance?

BUT HOW??

* – ie. your "stocks universe"

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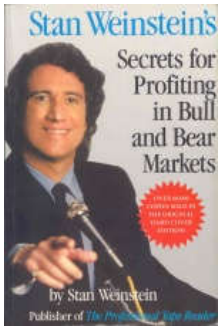
Use bullish T.A. indicator observations

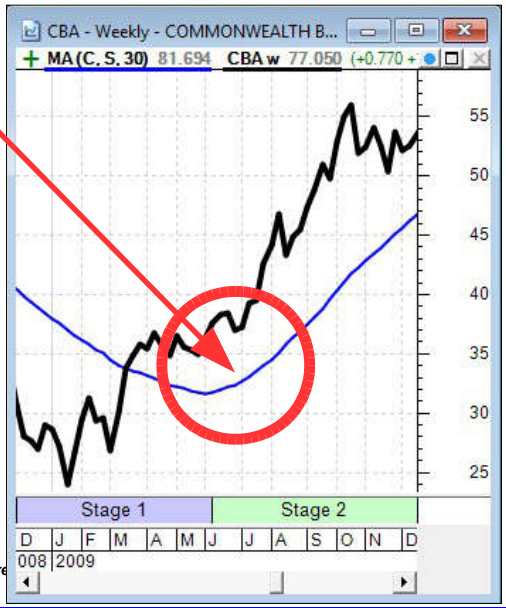
We could use observations of
technical analysis (T.A.) chart indicators such as:

- "Moving Average (MA) rising for consecutive bars",
  especially if it is below the share price.

We might use a 30 week SMA on
weekly chart (á la Stan Weinstein).

This observation is said
to be bullish, and
can be readily scanned
for using charting
or trading software.





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Introduction

Use bullish T.A. indicator observations

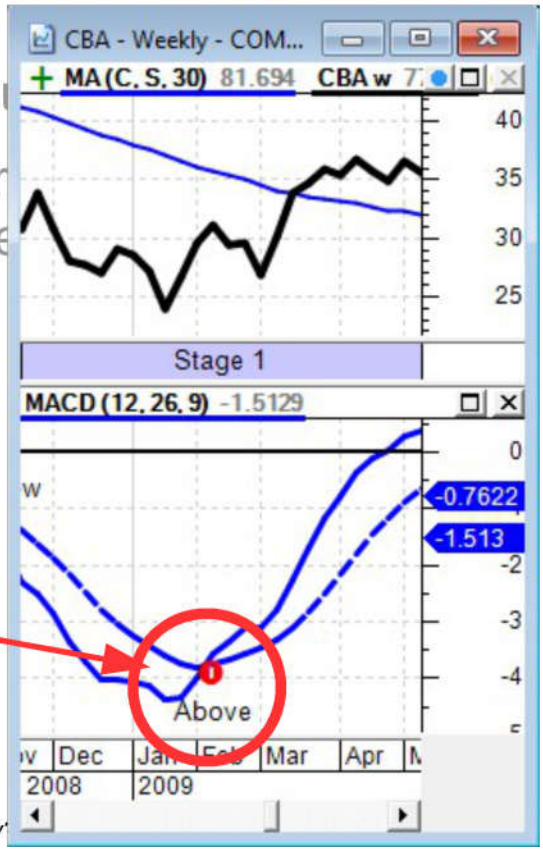
We could use observations of
technical analysis chart indicators s

- "Moving Average (MA) rising for
  especially if it is below the share

What other observations?

- MACD crosses "above"
  when below its own zero line?

Any others?



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Use bullish T.A. indicator observations

We might use bullish observations of technical analysis chart indicators such as:

- Moving Average (MA) rising for consecutive bars, especially if it is below the share price.
- MACD crosses “above” when below its own zero line.
- (and many more?)

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About this presentation

Wouldn’t it be good if we could take
a list of stocks, and
study bullish features of chart indicators to allocate a ranking or score,
then
sort the list with
strongest performing stocks (ie. most bullish)
at top of the list?
(and the most bearish at the bottom)

Let’s consider how to do this...

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Robert's Personal Watch List table

(A) Code	(B) Stock name	(C) Score v6	(D) ROAR %	(E) Close Price	(F) Stop #1 (1.8x)	(G) Stop #2 (2.6x)	(H) Wks On	(J1) Price % Change	(J2) Price % pa	(K) % ch 1 wk
All stocks on the list this week: (new stocks + carry-over)			**8 NEW stocks + 113 CARRY-OVER this week = 121 total** (13 + 107 last week, 12 + 100 previous week) [7 gone off the list this week, 5 last week, 4 previous week]							
MMS	Mcmillan Shakespeare	80	34	16						3.0
REA	REA Group Ltd	78	0	77						1.2
ALU	Altium Limited	76	73	12						-0.5
CGC	Costa Group Holdings	76	62	6						-5.1
IAG	Insurance Australia Group	76	0	7						2.1
ORE	Orocobre Limited	76	84	5						-3.0
AST	Ausnet Services Limited	74	0	1.8						0.8
COH	Cochlear Limited	74	32	181						1.1
DLX	Duluxgroup Limited	74	0	8.01	7.49	7.26	8	14.4%	94	7.5
NHF	Nib Holdings Limited	74	34	6.88	6.28	6.01	5	11.1%	116	1.0
NST	Northern Star Resources	74	30	5.78	5.24	5.00	14	18.0%	67	4.9
NWS	News Corporation..	74	0	20.89	19.52	18.91	5	17.1%	178	6.0
SDA	Speedcast International	74	35	4.84	4.27	4.02	6	13.6%	118	1.9
BRG	Breville Group Limited	72	32	12.73	11.85	11.45	12	17.2%	75	1.0
STO	Santos Limited	72	80	5.01	4.47	4.23	11	30.1%	142	11.6
BKL	Blackmores Limited	70	100	162.13	143.41	134.66	10	41.1%	214	-0.6
IPL	Incitec Pivot Limited	70	0	3.96	3.67	3.54	9	9.1%	53	4.8
NXT	Nextdc Limited	70	32	5.45	5.01	4.81	10	17.2%	89	2.3
PTM	Platinum Asset Management	70	92	7.51	6.82	6.52	18	45.0%	130	0.1
SGR	The Star Entertainment Gr	70	0	5.64	5.41	5.24	4	-0.4%	-5	-2.6

The resulting list might look like this one.

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Introduction

Questions?

- Please ask questions.
- Let's discuss details.
- Any price charts prepared with BullCharts software.

Every chart tells a story.
It pays to understand the stories in the charts.

BullCharts

www.bullcharts.com.au

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About... Robert Brain

Nimble Short term Investor

consultant, educator and part-time* share trader
web-based sharemarket-support business

- Many years experience as trainer, presenter, conference facilitator (*Scouts*)
- Share Market – active 15++ years* (slowly at first)
- Chartist ie. technical analyst (ATAA member and national director)
- Provide support and tuition to traders and investors
  Brainy's Share Market Toolbox
- Member Mensa
- Engineering Degree (structured thinking with an eye for charts and diagrams)
- 30+ years – professional experience (IT and management)
- **No AFS license! (Can't give advice)**
- **BullCharts software (convenor Australian BullCharts User Group and authorised reseller with special pricing)**

Conflict of interest?

* - Not yet enough capital to live off the proceeds of trading (after trading as a hobby until a career change in 2008).

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- For proper advice, your personal financial situation needs to be considered.
- This presentation is pure education, only for your general awareness.
- There are no recommendations to take any action, or to invest any money in any way.
- Always consult a properly licensed advisor before making investment decisions.

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Introduction

Important Notice

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NOTE...

In this presentation
we focus on a
trend-following approach,
so the indicator observations
are relevant to that approach.

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Today's Agenda

1. Identify some technical analysis indicators;
2. Identify bullish observations of the chart indicators — and prepare a list;
3. Consider how to quantify these bullish observations to produce a ranking or score;
4. Consider how to automate this;
5. In a group presentation — encourage discussion and sharing of knowledge.

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Study these bullish features...

We might use BULLISH observations of technical analysis chart indicators such as:

(a) **Moving Average** (MA) rising for consecutive bars, especially if it is below the share price

(b) **MACD** crosses "above" when below its own zero line

(c) **Momentum** indicator is trending higher (ie. higher peaks and troughs)

(d) **Moving Average of Momentum** is above the Momentum and rising

(e) **ActVest Range+** — indicator cord is rising

(f) **Hull ROAR** is rising

(g) **Volume** is above a Moving Average of Volume.

(see details on next slides...)

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T/A indicator observations

(a) Moving Average rising...

Moving Average (MA) rising for consecutive bars, especially if it is below the share price.

Indicative of a rising trend

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BTW — A note about *trends*

About price trends — uptrends and downtrends

- The classical technical analysis definition of a price ***trend*** is a sequence of *higher highs* and *higher lows* (or *higher peaks* and *higher troughs*).
- This can be difficult to scan for in charting software, so instead we can look for a hint that the share price is "tending" to rise — such as a Moving Average.

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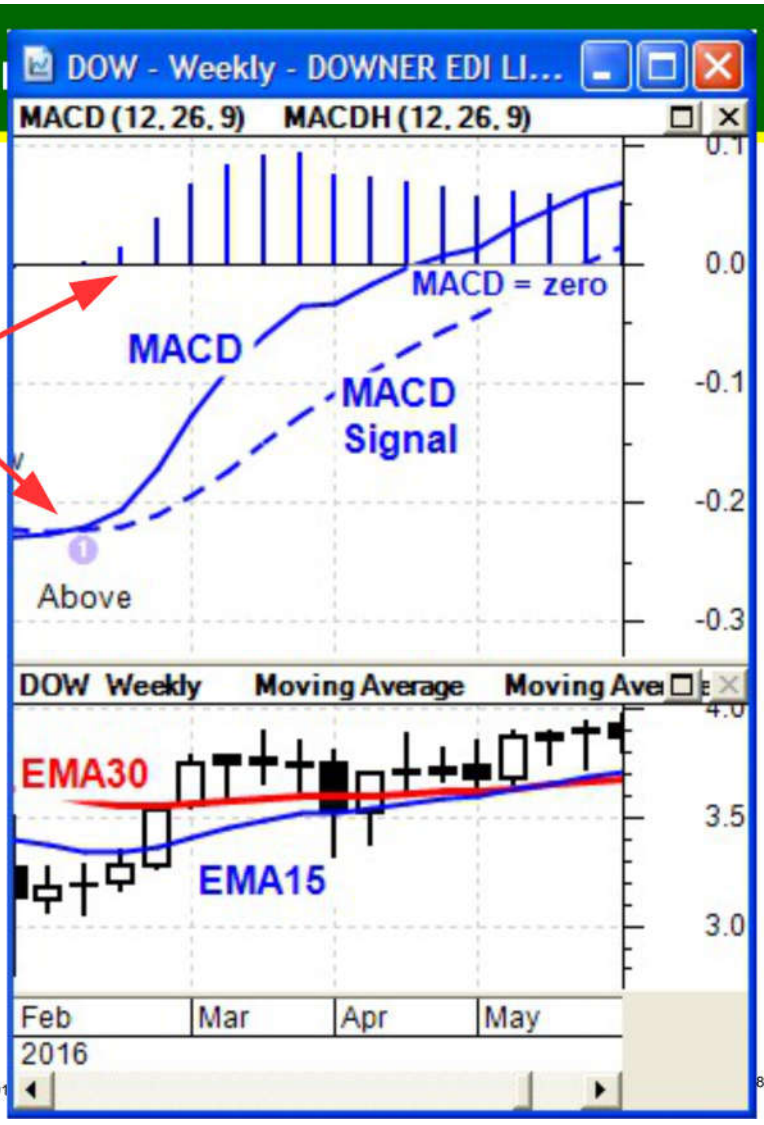
(b) MACD...

MACD crosses "above" especially when below its own zero line.



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(c) Momentum...

Momentum indicator is trending higher (ie. higher peaks and higher troughs),

AND

(d) **MA of MOM** is rising.

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(e) ActVest Range+ ...

The **Range+** indicator cord is rising.

Either the Upper cord, and/or the Central cord.

Refer Alan Hull's trading notes for more details.

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(f) Hull ROAR ...

The Hull **ROAR*** indicator is rising.

Could use ActVest or ActTrade!!

* — Alan Hull's Rate Of Annual Return

© Co

(g) Volume ...

Volume is above a **Moving Average** of Volume (MA-V) and MA-V is rising.

But which MA-V?

Is this useful?

(MA-V = VMA)

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EXAMPLES

Consider the following sample charts and the T.A. indicators ...

Could we have “predicted” the bullish uptrends?

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WARNING!!!

In the following slides, there are many examples of “bullish observations” of technical analysis chart indicators!!

Get ready to make notes!!

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T/A indicator observations

QUESTION:
Could we have "predicted" this rally?

NOTE:
The word "predicted" is probably not the right one, so instead use "anticipated".

T/A indicator observations

Moving Averages: Faster one is above slower one.

Momentum: Higher Low

MA of Mom: Was heading down, then turned up, and Mom crossed Above.

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T/A indicator observations

TMF*:
Crossed above Zero.
Formed a trough above Zero.

* TMF = Twiggs Money Flow

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T/A indicator observations

MACD:
Crossed "Above"
(even if above Zero)

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T/A indicator observations

QUESTION: Could we have "anticipated" this rally?

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T/A indicator observations

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T/A indicator observations

Moving Averages:
Faster one
is above
slower one.

MACD:
Crossed "Above"
when below Zero

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T/A indicator observations

Momentum can fall
as share price increases.

MA of Mom:
Was heading down,
then turned up, and
Mom crossed Above.

Momentum:
Higher Low

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T/A indicator observations

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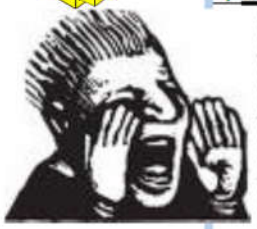
T/A indicator observations



QUESTION:
Could we have "anticipated" this rally?

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T/A indicator observations

Moving Averages: Faster one is clearly above slower one.

MA of Mom: Was heading down, then turned up, and Mom crossed Above.

Momentum can fall as share price increases.

Momentum: Higher Low

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T/A indicator observations

MACD: Crossed "Above"

MACD can move sideways as share price increases.

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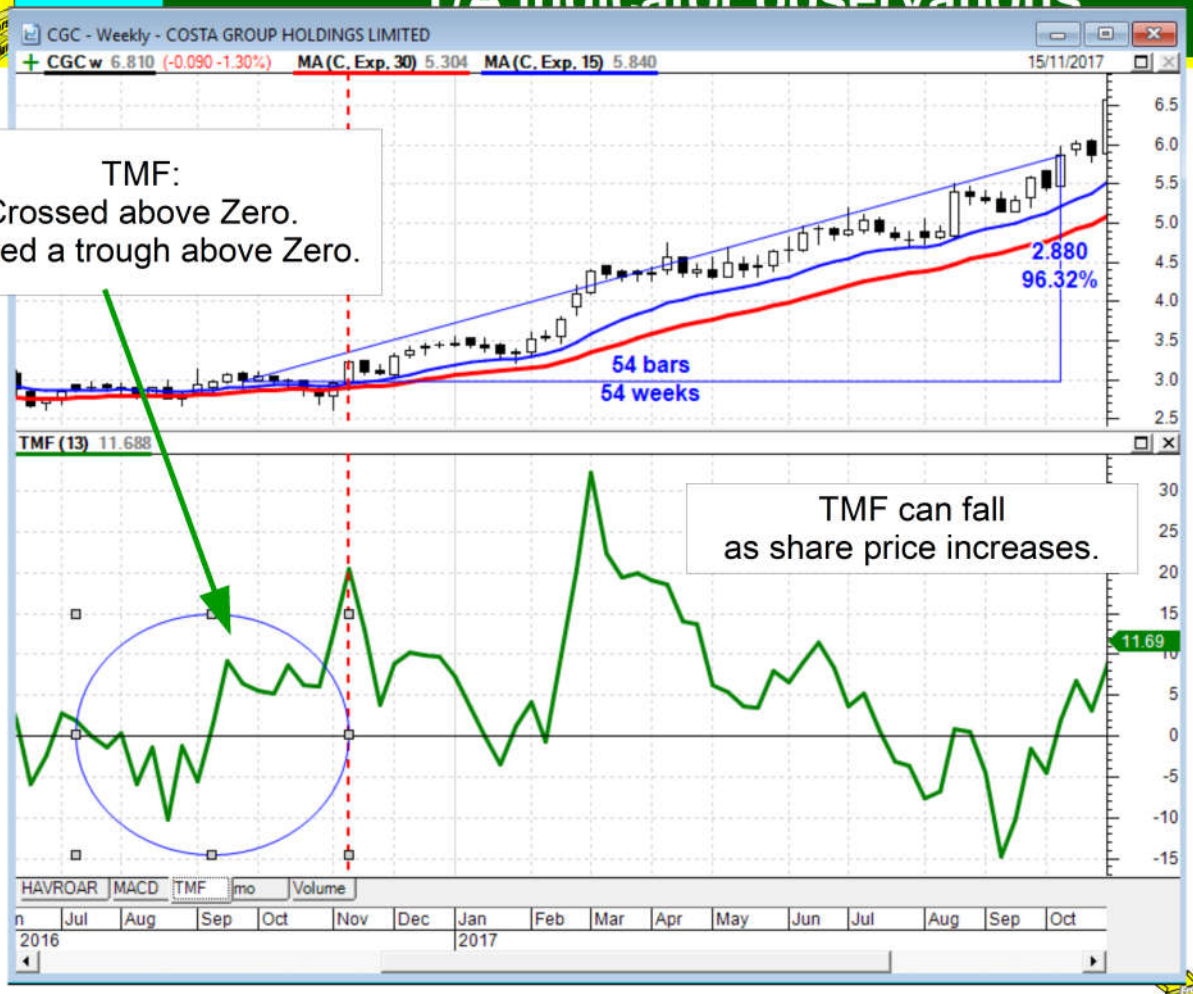
T/A indicator observations



TMF:
Crossed above Zero.
Formed a trough above Zero.

TMF can fall
as share price increases.

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T/A indicator observations

ROAR:
Rose above 20

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T/A indicator observations

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T/A indicator observations

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T/A indicator observations

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Summary of these bullish features...

We might use observations of
technical analysis chart indicators such as these:

(a) Moving Average (MA) rising for consecutive bars, especially if it is below the share price

(b) MACD crosses “above” when below its own zero line

(c) Momentum indicator is trending higher (ie. higher peaks and troughs)

(d) Moving Average of Momentum is above the Momentum and rising

(e) ActVest Range+ — indicator cord is rising

(f) Hull ROAR is rising

(g) Volume is above a Moving Average of Volume.

See summary price chart on next slide.

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Identify the bullish observations in this weekly price chart.

- HAVROAR
- MACD
- TMF
- Momentum (and its MA)
- MA of price
- Volume (and VMA)

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Any other useful ones?

Are there even more bullish observations and indicators that could be useful?

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T/A indicator observations

What Other Indicators??

What other chart indicators could we use?

1. Stochastic?
2. OBV?
3. RSI?
4. Bollinger Bands?
5. ...

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So how to rank the stocks?

Let's allocate
a "Score value"
for each
bullish indicator observation
that is true.

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(a) Moving Average rising...

Moving Average (MA) rising for consecutive bars, especially if it is below the share price.

We could allocate a "score"...

Ref.	Technical analysis indicator observation	Score Value
1	15-week EMA has increased every week for 3 weeks	1
2	30-week EMA has increased every week for 3 weeks	1
3	If EMA (30) has risen every bar for 5 bars	1
4	If EMA (30) has risen every bar for 8 bars	1

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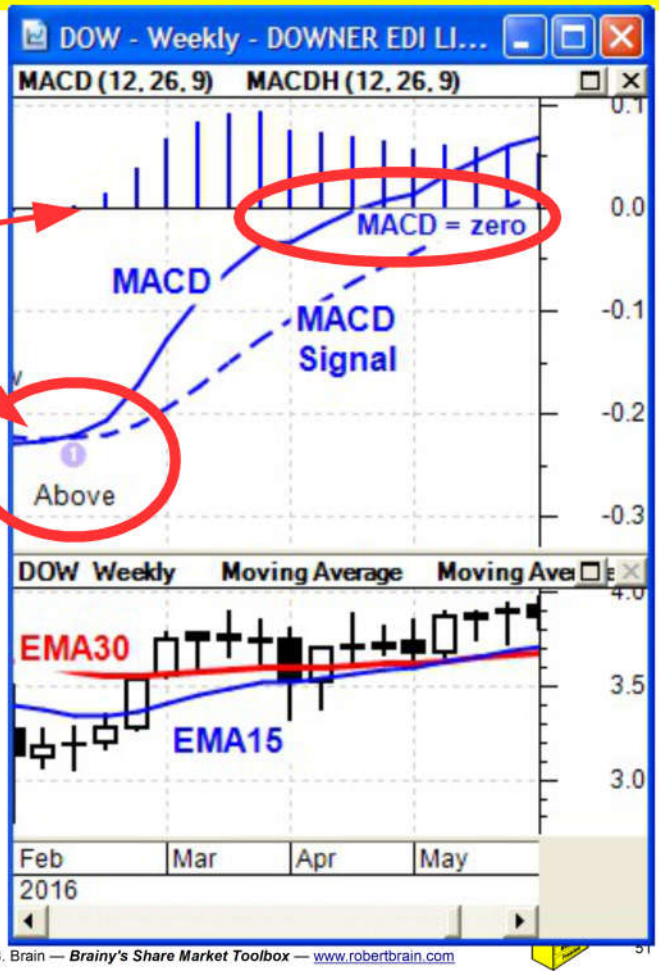
Allocating a Score value

(b) MACD...

MACD crosses "above" when below its own zero line.

We could allocate a "score"...



Ref.	Technical analysis indicator observation	Score Value
8	MACD indicator value is less than zero, any bar in the last 8 bars	1
9	MACD has crossed "Above" the signal line, any bar in last 8 bars	1
10	MACD value has increased every bar for 3 bars	1

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Alloca

(c)-(d) Momentum...

Mom is trending higher, AND
MA of MOM is rising.

Ref.	Technical analysis indicator observation	Score Value
11	Mom(14) is > Mom of any of the last 5 bars	1
12	Mom(14) has "crossed above" the MA of Mom for any of the last 5 bars	1
13	Mom(14) is > MA of Mom for every bar in the last 3 bars	1
14	The MA(14) of Mom has increased every bar for the last 5 bars	1

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Allocating a Score value

(e) ActVest Range+ ...

The Range+ indicator cord is rising

Not yet included; but exactly what might the score criteria be?

"... cord is rising...?"

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(f) Hull ROAR ...

The Hull ActVest ROAR (Rate of Annual Return) indicator is rising

Ref.	Technical analysis indicator observation	Score Value
5	ActVest ROAR > 20	1
6	ROAR >= previous ROAR	1

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(g) Volume ...

Volume is above VMA and VMA is rising.

This condition occurs on this sample chart in some weeks, and not others.

Ref.	Technical analysis indicator observation	Score Value
18	If Vol > 5-period VMA	1
19	If Vol > 15-period VMA	1
20	If 8-period VMA has increased every bar for 3 bars	1

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Allocating a Score value

What about price?

Might it be useful to include an observation of the pure share price?

Ought this sequence of candles be recognised, and classed as bullish?

ie. a sequence of Higher Highs, and/or Higher Closes, and/or Higher Lows, etc...

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The Total Score

- Take the individual Scores in the previous slides and examples, and simply tally them up to arrive at the “Total Score” value for each stock.

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Allocating a Score value

Tally up the scores for this stock

Ref.	Technical analysis indicator observation	Score Value
1	15-week EMA has increased every week for 3 weeks	1
2	30-week EMA has increased every week for 3 weeks	1
3	If EMA (30) has risen every bar for 5 bars	1
4	If EMA (30) has risen every bar for 8 bars	1
5	ActVest ROAR (Rate of Annual Return) greater than 20	(N/A)
6	ActVest ROAR >= previous ActVest ROAR	(N/A)
7	Latest Close >= Previous Close	(N/A)
8	MACD indicator value is less than zero, any bar in the last 8 bars	1
9	MACD has crossed "Above" the signal line, any bar in last 8 bars	1
10	MACD value has increased very bar for 3 bars	1
	TOTAL score (this page):	**7**

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Allocating a Score value

Ref.	Technical analysis indicator observation	Score Value
11	Momentum (14) > the Momentum of any of the last 5 bars	1
12	Momentum(14) has "crossed above" the Moving Average of Momentum for any of the last 5 bars	1
13	Momentum(14) is greater than the Moving Average of Momentum for every bar in the last 3 bars	1
14	The MA of Momentum(14) has increased every bar for the 5 bars	1
15	If Twiggs Money Flow (TMF - 13 period) is now the highest it has been in the last 5 bars	(N/A)
16	If TMF(13) is greater than zero	(N/A)
17	If TMF(13) is greater than TMF(13) for any bar in the last 5 bars	(N/A)
18	If Volume > 5-period Moving Average of Volume	1
19	If Volume > 15-period Moving Average of Volume	1
20	If 8-period MA of Volume has increased every bar for 3 bars	1
	TOTAL score (this page):	**7**
	TOTAL score (previous page):	**7**
	TOTAL score:	**14**

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Allocating a Score value

The Total Score

- Take the individual Scores in the previous slides and examples, and simply tally them up to arrive at the "Total Score" value for each stock.
- For the list of stocks and their own Score values, sort the list with the highest scoring stock at the top of the list.

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Robert's Personal Watch List table

(A) Code	(B) Stock name	(C) Score v6	(D) ROAR %	(E) Close Price	(F) Stop #1 (1.8x)	(G) Stop #2 (2.6x)	(H) Wks On	(J1) Price % Change	(J2) Price % pa	(K) % ch 1 wk
All stocks on the list this week: (new stocks + carry-over)			**8 NEW stocks + 113 CARRY-OVER this week = 121 total** (13 + 107 last week, 12 + 100 previous week) [7 gone off							k]
MMS	Mcmillan Shakespeare	80	34	16.88						3.0
REA	REA Group Ltd	78	0	77.05						1.2
ALU	Altium Limited	76	73	12.96						-0.5
CGC	Costa Group Holdings	76	62	6.55						-5.1
IAG	Insurance Australia Group	76	0	7.17						2.1
ORE	Orocobre Limited	76	84	5.80						-3.0
AST	Ausnet Services Limited	74	0	1.845						0.8
COH	Cochlear Limited	74	32	181.13	170.62	165.94	12	15.6%	68	1.1
DLX	Duluxgroup Limited	74	0	8.01	7.49	7.26	8	14.4%	94	7.5
NHF	Nib Holdings Limited	74	34	6.88	6.28	6.01	5	11.1%	116	1.0
NST	Northern Star Resources L	74	30	5.78	5.24	5.00	14	18.0%	67	4.9
NWS	News Corporation..	74	0	20.89	19.52	18.91	5	17.1%	178	6.0
SDA	Speedcast International Li	74	35	4.84	4.27	4.02	6	13.6%	118	1.9
BRG	Breville Group Limited	72	32	12.73	11.85	11.45	12	17.2%	75	1.0
STO	Santos Limited	72	80	5.01	4.47					
BKL	Blackmores Limited	70	100	162.13	143.41	1				
IPL	Incitec Pivot Limited	70	0	3.96	3.67					
NXT	Nextdc Limited	70	32	5.45	5.01					
PTM	Platinum Asset Manageme	70	92	7.51	6.82					
SGR	The Star Entertainment Gr	70	0	5.64	5.41	5.24	4	-0.4%	-5	-2.6

Robert's personal Weekly Watch List. Stocks selected from the XJO, if they are "uptrending".

This is updated weekly and available to all subscribing Share Market Toolbox members each weekend.

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Allocating a Score value

Bullish observations of indicators

This could be very useful!

- With careful use of specific chart indicators, this approach could be very useful
- **BUT** which chart indicators to use?
- **And,**
  Can we foresee any issues?

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One possible PROBLEM!

What if we choose several indicators that are all Trend indicators, or all Momentum indicators?

It is likely that all indicators of a particular type will be bullish together.

Momentum indicators
Momentum
On Balance Volume
RSI

Trend indicators
MA
MACD
ADX

Volume indicators
Volume MA (VMA)
Money Flow
Volume Oscillator

Volatility indicators
Bollinger Bands
ATR

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Another Problem!

In our case study we have listed about 20 criteria. What if:

- If each criteria is allocated one point, and
- Ten of these criteria are all based on observations of **trend indicators**, and
- Five are based on **momentum indicators**, &
- Five are based on **volume observations.**

Won't this result in a bias towards the trend observations?

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A solution to this bias...

- Instead of allocating one point to each observation, we can allocate different amounts (eg. 2 points or 3 points)
  [we refer to this as the “criteria importance”]
- For example, allocate a percentage of the total score to each category (20% each?):
  - Trend
  - Momentum
  - Price
  - Volatility
  - Volume

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Some tips

In the examples shown,
we have used indicator **parameters**
that could be tweaked:

1. “period” for MOM, MA, etc.
   (we used the default value of 14);
2. Scan criteria:- “... if the condition has occurred any time in the last X number of bars”;
3. Change the “importance” of each scan criteria.

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How to automate?

Once we decide
which indicators to use,
and which observations
of these indicators to use,
how can we automate the process
of calculating the score
for each stock?

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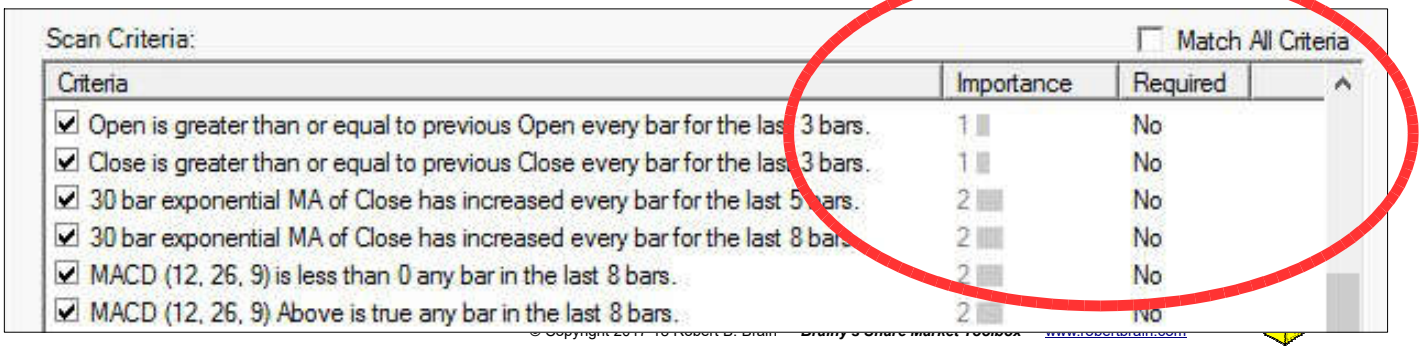
How to automate

My favourite...

In BullCharts software...

- Set up a scan with
  "Match All Criteria" turned off;
- Create the required scan criteria;
- Then set "Importance" and "Required" options
  for each scan criteria.



Questions — for how many bars?

In a scan, we could say that each condition must have been in place, "...For ANY bar in the last X bars", or "...For EVERY bar...":

(a) Moving Average (MA) rising for consecutive bars **(For HOW MANY bars?)**, especially if it is below the share price

(b) MACD crosses "above" when below its own zero line (**Any time in the last X bars**)

(c) Momentum indicator is trending higher (ie. higher peaks and troughs) — **(For HOW MANY bars?)**

(d) Moving Average of Momentum is above the Momentum and rising **(For HOW MANY bars?)**

(e) ActVest Range+ — indicator cord is rising

(f) Hull ROAR is rising **(For HOW MANY bars?)**

(g) Volume is above a Moving Average of Volume.

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If using BullCharts ...

- If using BullCharts, then view the following slides (and do a demonstration);
- If NOT using BullCharts, then maybe skip the next few slides.

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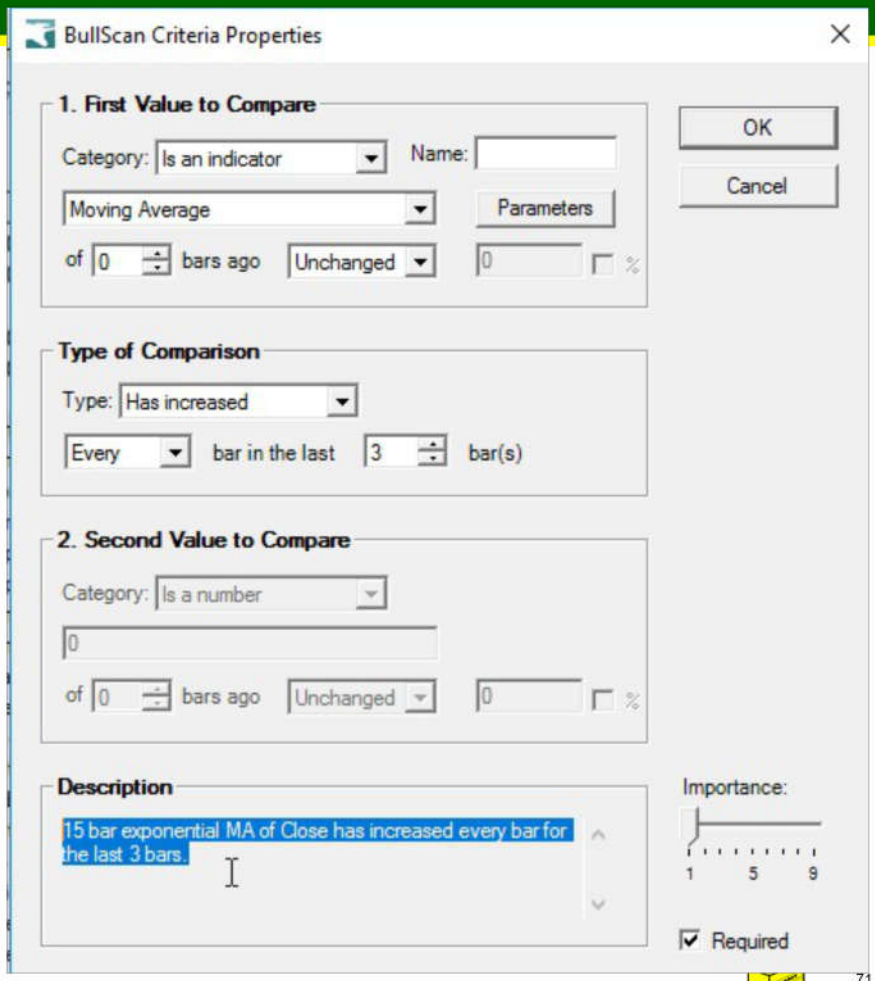
How to automate

Example criteria:

MA(E,C,15) increased every bar for last 3 bars

(on weekly period)



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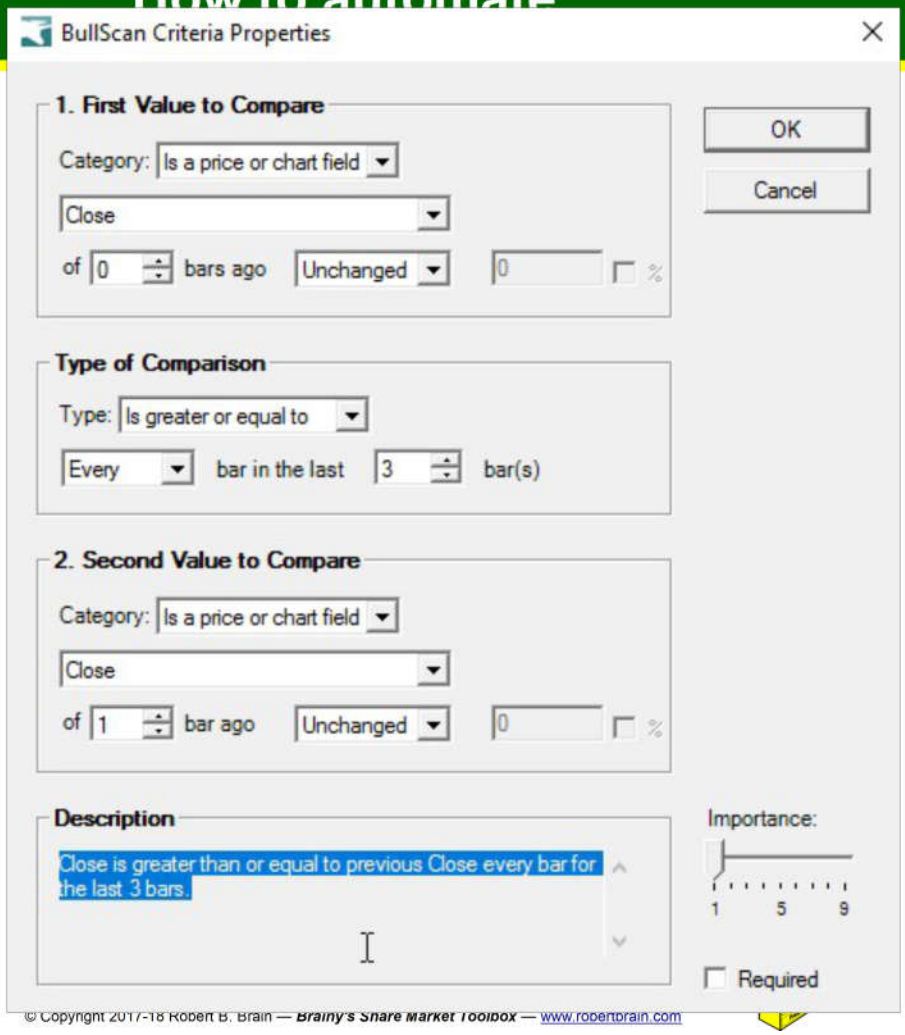
How to automate

Example criteria:

Close is greater than or = Previous Close every bar for last 3 bars.



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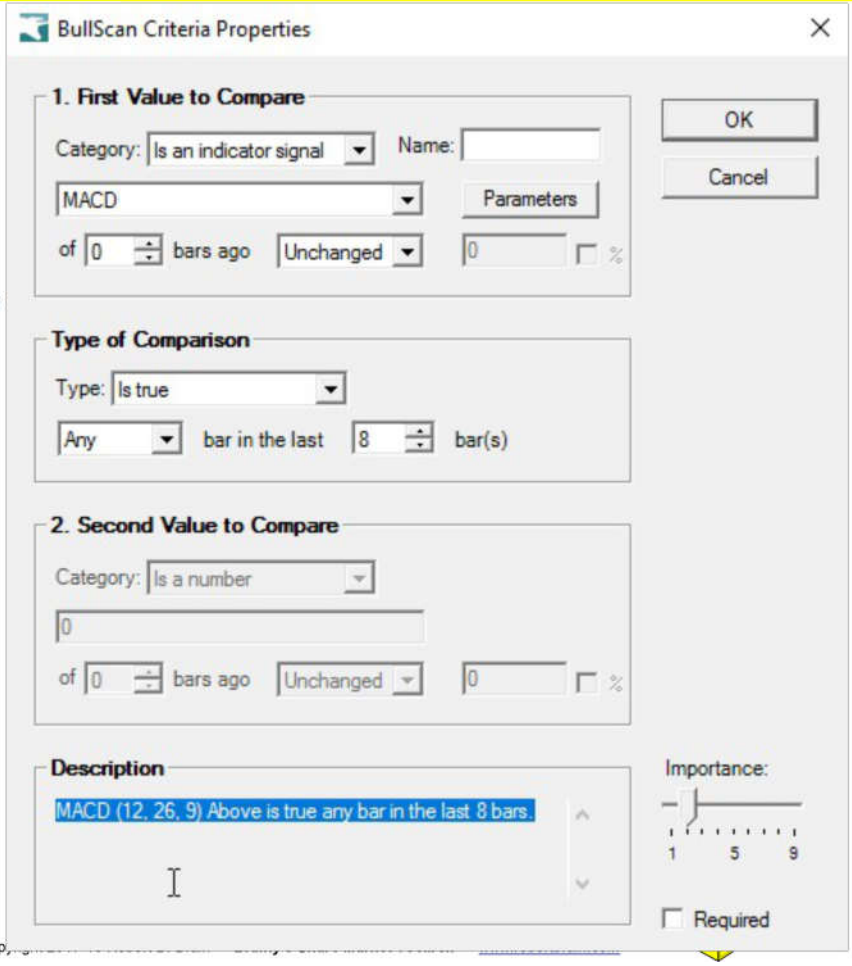
How to automate

Example criteria:

MACD
has crossed “Above”
the Signal line
Any bar
in the last 8 bars



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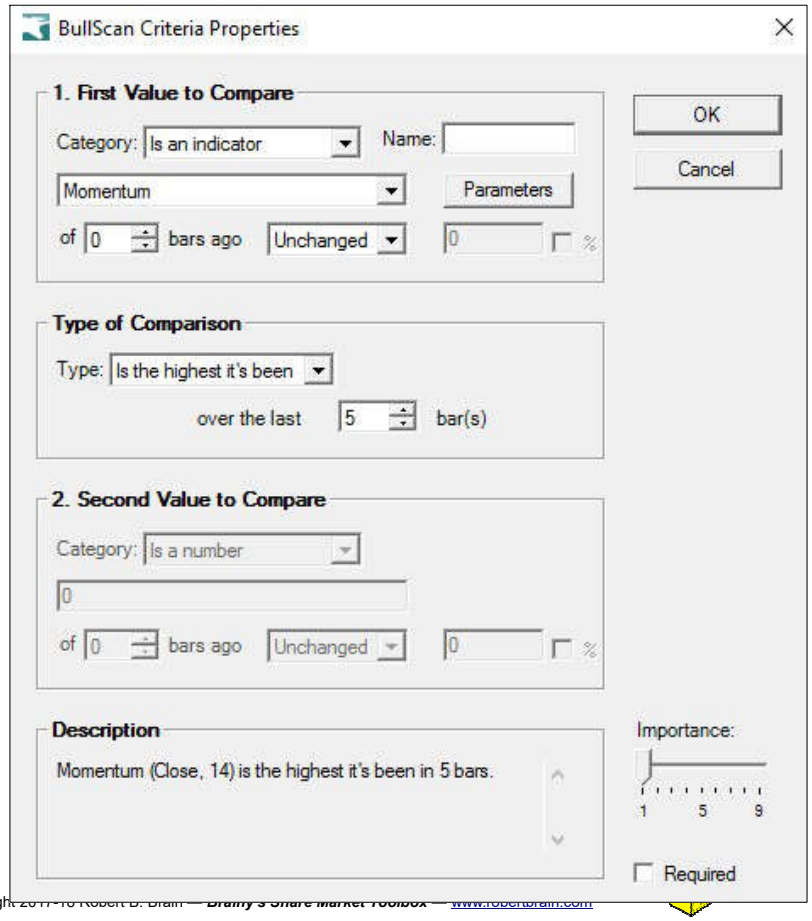
How to automate

Example criteria:

Momentum is
the highest it’s been
in the last 5 bars

ie. Trending higher.



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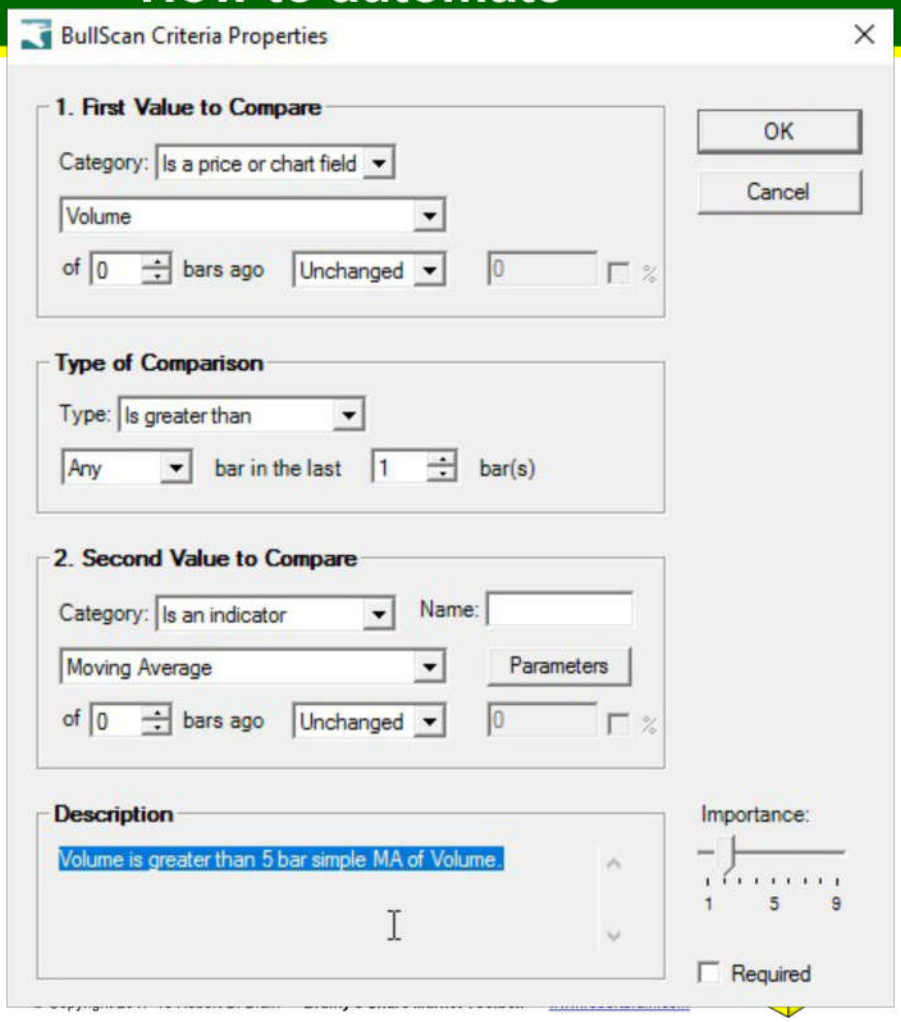
How to automate

Example criteria:

Volume
is > than
5-bar SMA
of Volume
(ie. the VMA)



How to automate

Other methods?

**Are there other methods for doing a scan across your stock universe?
and allocating a Score value?
to produce a sorted list of stocks?**

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SUMMARY

We've looked at
bullish observations
of several chart indicators,
and allocated a "Score" value
and considered a "weighting",
and considered how to automate.

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Useful?

**Might this approach be useful
to rank a list of stocks
in order of bullishness?
and**

likelihood to perform?

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Ranking stocks — chart indicators

Bullish observations of chart indicators can be used to produce a ranked list of stocks.

Every chart tells a story.
It pays to understand the stories in the charts.

BTW

- I send occasional email to interested people
- My ***Share Market Toolbox*** web site:
  - Toolbox Members receive weekly email with (charts) analysis of our market
  - And there's lots more (stop loss, trends, etc...)
- Register for free and not miss out.
- Send me an email request: robert@robertbrain.com

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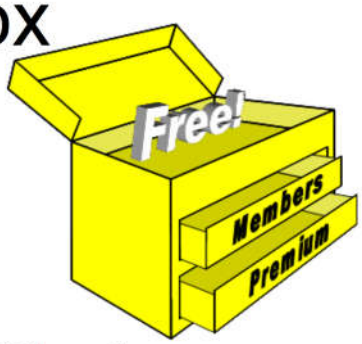
Don't forget my Toolbox



- Brainy's ***Share Market Toolbox***
  - www.robertbrain.com
  - Loads of eBook (PDF) Articles
  - Info: share market, charting, BullCharts
  - Weekly Market Updates and Watch List
  - monthly e-Newsletters
- Good software – BullCharts
  www.robertbrain.com/bullcharts/
- My contact details:
  web site above, or phone: 0438 355 910

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ATAA — networking, etc.

For totally unbiased and broad support:

Australian
Technical Analysts
Association

- Eight locations around Australia
- Monthly meetings
- Lots of resources — www.ataa.asn.au

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Q & A ?

Any questions?

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THE END

See free stuff here:
www.robertbrain.com/free

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